

Message Text

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ACTION ARA-10

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DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 1242

C O N F I D E N T I A L TEGUCIGALPA 4124

E.O. 11652: GDS

TAGS: PINT, ELAB, PFOR, HO

SUBJECT: CONVERSATION WITH CESAR BATRES

REF: TEGUCIGALPA 3976

BEGIN SUMMARY: POLOFF HAD CONVERSATION WITH EX-FONMIN BATRES ON SEPTEMBER 18. HE STATED THAT THE ADVISORY COMMITTEE ON COMMON MARKET NEGOTIATIONS HAD DECIDED TO ADOPT A NEGOTIATING POSITION WHICH WOULD PERMIT HONDURAS TO SIGN A COMMON MARKET TREATY WITHOUT A PRIOR AGREEMENT WITH EL SALVADOR. HE OBSERVED THAT THERE HAS BEEN NO PROGRESS IN RESOLVING THE HONDURAS-EL SALVADOR DISPUTE. HE IS OPTIMISTIC THAT A REASONABLE COMPROMISE BETWEEN STANDARD FRUIT AND THE GOVERNMENT CAN BE NEGOTIATED. BATRES BELIEVES THAT NO MAN OR GROUP DOMINATES THE SUPERIOR DEFENSE COUNCIL. END SUMMARY.

1. POLOFF HAD CONVERSATION WITH EX-FONMIN CESAR BATRES ON SEPTEMBER 18. BATRES IS PRESENTLY ACTING AS AN ADVISER TO CHIEF OF STATE MELGAR. BATRES CONFIRMED THAT GOH ADVISORY COMMITTEE ON COMMON MARKET NEGOTIATIONS HAD DECIDED TO CONFIDENTIAL

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CHANGE NEGOTIATING TACTICS. INSTEAD OF REQUIRING A

SETTLEMENT OF THE DISPUTE WITH EL SALVADOR PRIOR TO THE SIGNING OF A COMMON MARKET AGREEMENT, THE NEW NEGOTIATING POSITION WOULD PERMIT HONDURAS TO SIGN A TREATY CONTAINING A RESERVATION STATING THAT THE TREATY DID NOT AFFECT THE BILATERAL SITUATION BETWEEN EL SALVADOR AND HONDURAS. HE SAID THAT THE POLICY CHANGE HAD NOT RECEIVED FORMAL APPROVAL BY THE SUPERIOR DEFENSE COUNCIL, BUT THAT IT WOULD GUIDE THE HONDURAN NEGOTIATIONS IN FUTURE MEETINGS. HE NOTED THAT HE EXPECTED THE NEGOTIATION PROCESS TO BE DIFFICULT AND PROLONGED.

2. HE OBSERVED THAT THERE HAD BEEN NO PROGRESS IN SETTLING THE HONDURAS-EL SALVADOR DISPUTE. HE RECALLED THAT HONDURAS HAD PRESENTED A PROPOSAL TO THE COMMITTEE OF SEVEN IN MAY REGARDING A RESUMPTION OF NEGOTIATIONS, BUT THAT EL SALVADOR HAD NOT RESPONDED TO THE PROPOSAL. HE IS PESSIMISTIC ABOUT A SETTLEMENT IN THE NEAR FUTURE BECAUSE THE IMMINENCE OF ELECTIONS IN EL SALVADOR WOULD, IN HIS VIEW, MAKE NEGOTIATIONS IMPOSSIBLE.

3. HE REMARKED THAT THE AGRARIAN REFORM INSTITUTE (INA) IS SPREADING ITSELF TOO THIN IN ATTEMPTING TO CARRY OUT ACTIVITIES IN VARIOUS AREAS OF THE COUNTRY BECAUSE IT DOES NOT HAVE THE NECESSARY FINANCIAL AND HUMAN RESOURCES. BATRES SAID INA SHOULD CONCENTRATE ITS EFFORTS IN ONE AREA TO SHOW IMMEDIATE RESULTS. HE COMMENTED THAT THE PRESENT SITUATION WILL RESULT IN A DROP IN AGRICULTURAL PRODUCTION, AN UNHAPPY PROSPECT GIVEN THE GENERALLY BAD ECONOMIC PICTURE.

4. HE SAID THAT STANDARD FRUIT WOULD HAVE TO TAKE ACTION IN COURT AGAINST THE GOVERNMENT CANCELLATION OF THE CONCESSIONS. HE POINTED OUT, HOWEVER, THAT THE COURT ACTION WOULD REALLY BE A MOVE TO CONVINCE THE STOCKHOLDERS THAT THE COMPANY IS DOING ALL IT COULD TO DEFEND ITS INTERESTS. HE REMARKED THAT PRELIMINARY SOUNDINGS BETWEEN STANDARD FRUIT AND THE GOVERNMENT HAD TAKEN PLACE IN A GOOD ATMOSPHERE. HE IS OPTIMISTIC, AT LEAST AT THIS STAGE, THAT A REASONABLE COMPROMISE SETTLEMENT WILL BE POSSIBLE.

5. HE RELATED THAT OBDULIO CACERES, THE NEW PRESIDENT OF THE EXECUTIVE COMMITTEE OF SITRATERCO (UNITED BRANDS UNION),

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HAD COME TO SEE HIM THAT MORNING. CACERES HAD ASKED BATRES TO INFLUENCE THE GOVERNMENT TO RECOGNIZE THE LEGITIMACY OF THE EXECUTIVE COMMITTEE ELECTION BY REGISTERING THE NEW COMMITTEE MEMBER. BATRES POINTED OUT THAT THE GOVERNMENT IS UNWILLING TO GET IN THE MIDDLE OF AN INTERNAL UNION STRUGGLE AND WOULD BE THE TARGET OF WHICHEVER GROUP IT RULED AGAINST. BATRES SAID THAT THE MODERATE LEADERSHIP OF SITRATERCO IS UNDER STRONG ATTACK FROM THE COMMUNISTS. HE REMARKED THAT THE

COMMUNISTS WERE GAINING GROUND IN THE ENTIRE LABOR STRUCTURE AS THEY HAD PREVIOUSLY GAINED GROUND AND EVENTUAL DOMINATION IN THE UNIVERSITY AND THE TEACHERS ASSOCIATIONS.

6. HE STATED THAT NO ONE MAN OR GROUP IS DOMINANT WITHIN THE SUPERIOR DEFENSE COUNCIL. HE SAID THE COUNCIL IS MEETING INFREQUENTLY AT PRESENT AND AS SUCH IS UNABLE TO GIVE DETAILED ATTENTION TO IMPORTANT POLICY MATTERS. HE OBSERVED THAT ONE RESULT OF THE SITUATION WAS A LACK OF OVERALL DEFINITION OF GOVERNMENT POLICY.

7. COMMENT: BATRES HAS CONFIRMED WHAT POLOFF WAS TOLD LAST WEEK BY EX-LABMIN FONSECA IN REGARD TO NEW GOH STANCE CONCERNING COMMON MARKET NEGOTIATIONS. HOWEVER, BATRES SEEMED TO BE MORE PESSIMISTIC ABOUT POSSIBLE SUCCESS OF NEGOTIATIONS THAN FONSECA. HE SEEMED PARTICULARLY CONCERNED ABOUT RECENT GUATEMALAN OBJECTIONS RAISED IN THE CAN TO CERTAIN TREATY PROVISIONS.
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